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Soviet Livestock Slaughter May Alter Trade

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This week's cover:

British milk tanker from a country depot makes its way over Westminster Bridge bound for a London dairy. Report beginning on page 5 reviews new Government goals for increases in milk and other farm products produced in the United Kingdom.

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Responding to grain setback

USSR Ups Livestock Slaughter In Move That May Alter Trade

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ONE IMMEDIATE result of the USSR's poor 1975 grain crop has been distress slaughtering of hogs and poultry with an accompanying short-term meat boom—reaching its extreme in an 80 percent leap in August pork output. While this means a temporary expansion in USSR meat supplies, it could eventually translate into meat shortages.

So far, the livestock liquidation has caused sizable cutbacks in hog and poultry inventories—hog numbers may be down more than 10 percent by the first of 1976—and has probably halted growth in sheep and goat numbers. Bucking the trend, the cattle herd should continue to grow, barring an unusually severe winter.

These changes point to a reduction in USSR feed needs to perhaps the 1973 level—a move literally forced on the country by its sharply reduced 1975 grain crop, now estimated by USDA at only 160 million tons compared with 196 million last year, and reduced forage crops. Grain imports this season will make up some of that shortfall. But imports cannot be expected to go much over 30 million tons owing to handling limitations especially of the country's internal transportation system.

A logical response to this cut in grain supplies would be to slaughter heavily now, reduce feed demand, and increase domestic meat supply. Then in 1976, with feed demand in line with supplies of feedstuffs, the Soviets could make up for reduced meat production by again entering the world market for meat. Any such change would have a major impact on a world marketplace that has begun adjusting to prospects of the USSR being a consistently large grain importer and a sporadic importer of meat from Western sources.

On the other hand, such a shift could well be a short-term phenomenon, since the Soviets seem unlikely to suddenly abandon their ambitious livestock expansion program. That program carried livestock numbers on State and collective farms to alltime highs as of June 1975—87 million cattle, 55.3 million hogs, 151.8 million sheep and goats, and 577.2 million poultry—and will no doubt continue to receive emphasis. This is indicated, too, by the recent 5-year agreement to buy 6-8 million tons of U.S. grain a year.

Some key factors to watch in this developing situation are:

- Soviet slaughter rates—especially for cattle herds, which take much longer to rebuild than poultry and hog numbers;
- Availability of grain and meat supplies on the world market;
- Soviet grain crops in the next few years, as well as output of oilseeds and other feed ingredients;
- Exporters' policies regarding sales to the USSR.

In the final analysis, the USSR's future moves could well be dictated by changes in the world marketplace for grains and meat.

This year's setback came when a spring drought in the major grain regions of the USSR lasted through summer, sharply reducing both grain and forage crops. As U.S. estimates of the grain crop were revised steadily downward—from 210 million metric tons forecast earlier in the season to the recent estimate of 160 million—USSR livestock slaughter began to mirror the gravity of the situation.

FOR PORK PRODUCTION, a crucial point was July, when output on State and collective farms leaped 32 percent above that in July 1974. This rate then accelerated to 80 percent in August, as output shot to 539,000 metric tons, liveweight, dipping back to 30 percent in September. By contrast, earlier U.S. forecasts had indicated only a 5.5 percent gain in pork production (from all

Soviet farms) for all of 1975.

Poultry output by September 1975 also had begun to surpass U.S. estimates of USSR goals, climbing by 20 percent during January-September, compared with forecasts for a full-year increase of 11 percent to 1.5 million tons.

Conversely, by mid-1975 Soviet milk production had begun to decline—despite an overall increase in cow numbers—as drought's negative effect on the feed base was registered in lower milk yields. Although milk production for the January-September period still held at 1 percent above that of the same 1974 period, yields were off 1 percent, and by July an actual downturn in output had begun.

Historically, one of the best barometers of the effect of tight grain supplies has been the Soviet hog inventory: a short grain crop almost inevitably leads to sharply reduced hog numbers by the following January. In 1963, for instance, grain production fell to 107 million tons from 140 million the year before, setting the stage for a 41 percent decline in January 1, 1964, hog numbers from the year-earlier level. In 1967 and 1972, Soviet grain production again fell sharply, and was followed by substantial, but less drastic, declines in hog inventories.

More recently, Soviet hog numbers rose by about a million head during August-September of both 1973 and 1974, following their usual seasonal pattern of peak livestock inventories in the late summer, heavy slaughter in the fall, and herd building in the winter and spring. But in 1975, this pattern was altered drastically as hog numbers on State and collective farms—instead of their normal late summer gain—fell by some 2.5 million head in August. The decline dropped September 1, 1975, numbers on the State and collective farms to 54.3 million head, below even the 54.7 million head on Septemper 1, 1973, signaling a reversal of trend.

By October 1, hog inventories on State and collective farms had fallen to 49.7 million head, for a decline of over 12 percent from the previous October's 56.7 million head..

While it is difficult to predict what may happen during the last third of 1975—especially in this centrally planned economy—historical relationships between September and October inventories and those of the following January suggest that hog numbers on State and collective farms could decline even more by January 1, 1976.

The most likely change, given the recent acceleration in hog slaughtering, is a decline of at least 10 percent and perhaps as much as 15 percent. This would put January 1, 1976, hog numbers on State and collective farms at 48 million head or less and total hog numbers (including those in the private sector) under 65 million head.

In contrast, the USSR last January boasted 72.2 million head of hogs, compared with a total for the European Community of 69.4 million, 67.7 million for Eastern Europe, and 55.1 million for the United States.

Sheep and goat numbers on State and collective farms as of September 1, 1975, were 1 million head under those of September 1974. However, on October 1, they were about the same as in 1974. Based on historical patterns of slaughter, sheep and goat numbers on January 1, 1976, should be about the same level as those of January 1975.

Similar comparisons for poultry numbers on State and collective farms as of October 1 suggest an 8 percent reduction by January 1, 1976, to 370 million birds. As of September 1, State and collective farm inventories stood 3 percent below 1974's, but by October, the gap had risen to 8 percent.

On the other hand, the cattle herd so far has held above year-earlier levels and may well continue to do so, given its strong upward momentum. Through January-September, Soviet beef production on State and collective farms was about 1 percent over that of the 1974 period, but cattle numbers as of September were still some 2.9 million head above the 1974 level. It may be possible to maintain this increase through January 1, 1976.

Another way to analyze the grain-livestock situation is to relate past and present grain consumption patterns.

In the early 1960's, the USSR used as much grain for food as it did for livestock feed, as the country clung to traditional livestock feeding practices with heavy reliance on pastures, forage

USSR HOG NUMBERS, TOTAL GRAIN PRODUCTION, AND UTILIZATION, 1960-75

Year[2]	Hog numbers, Jan. 1	Grain production	Net grain trade[3]	Grain utilization[1]					
				Seed	Food	Industry	Livestock feed	Waste	Total utilization
	Million head	*Million metric tons*	*Million metric tons*	*Million metric tons*	*Million metric tons*	*Million metric tons*	*Million metric tons*	*Million metric tons*	*Million metric tons*
1960	53.4	125.5	— 6	20	44	3	42	13	122
1961	58.7	130.8	— 7	21	44	3	45	13	126
1962	66.7	140.2	— 7	23	44	3	43	14	127
1963	70.0	107.5	+ 6	23	44	3	33	5	108
1964	40.9	152.1	— 1	22	45	3	45	17	132
1965	52.8	121.1	+ 4	24	44	3	56	12	139
1966	59.6	171.2	— 1	24	44	3	59	14	144
1967	58.0	147.9	— 4	24	44	3	64	12	147
1968	50.9	169.5	— 6	25	44	3	72	17	161
1969	49.0	162.4	— 5	23	45	3	83	23	177
1970	56.1	186.8	— 7	25	45	3	92	22	187
1971	67.5	181.2	+ 2	26	46	3	95	13	183
1972	71.4	168.2	+21	26	46	3	97	15	189
1973	66.6	222.5	+ 6	26	46	3	104	36	215
1974	70.0	195.7	0	26	46	3	106	24	205
1975	72.2	160.0	+26	26	45	3	100	16	190
1976 (est.)	65.0	—	—	—	—	—	—	—	—

[1] ERS and FAS estimates. [2] Grain production and utilization is on a crop year basis. [3] Minus indicates net exports and a drawdown of stocks.

crops, scraps, and other alternatives to feedgrains.

After 1965, feed use of grains began to increase sharply, while food use remained virtually stable. By 1974 livestock feed was accounting for an estimated 52 percent of Soviet grain utilization but the share for direct food use had declined to 22 percent from around 36 percent in the early 1960's.

On the other hand, feed use of grains in some years of major crop shortfalls bore almost all the consumption decline and was restrained in other years, such as 1965, 1967, and 1972.

In 1972, grain imports were used to maintain the livestock industry, while once again food use of grain remained largely unchanged.

The USSR's estimated domestic grain utilization has averaged around 196 million metric tons during the last 5 years, including: Seed use, 26 million; food use, 46 million; livestock feed, about 99 million; waste allowances, 22 million; and industrial use, 3 million. Total grain production during that time averaged 191 million tons, and net imports, about 5 million.

(A barrier to precise analysis of the Soviet grain supply situation is the lack of published Soviet statistics on stocks. As an alternative to the stock information, net USSR imports of grain over the last 5 years can be used to indicate the country's grain supply deficit.)

With the exception of 1973, grain production during the last 5 years was at or below consumption requirements. And for 1975, production is now estimated to be 55 million tons less than the Soviet goal, with imports likely to approach 30 million tons.

If these imports are added into the average net import of the previous 5 years, average annual net imports jump to over 10 million tons. The new 5-year grain import agreement with the United States for 6-8 million tons per year thus becomes less than recent average annual net imports by the USSR.

This change points up the weakness in a USSR policy that calls for uninterrupted expansion in livestock output but which cannot manage the unpredictable Soviet weather and consequent fluctuations in grain output. How the USSR resolves these differences—and what happens to its grain crops in the next few years—will have an important bearing on future world trade in grain and meat.

USSR State Livestock Buying Rises

Reflecting a feed squeeze resulting from its 1975 grain shortfall, the Soviet Government through September of this year had purchased more livestock (for slaughter), milk, and eggs than it did in the same period of 1974. However, data just in for September show a marked cutback from the rapid August pace.

Total Government purchases of livestock (liveweight, includes poultry) during January-September rose 6 percent, as a 6 percent decline in September purchases slowed the rate of gain from the unusually fast August pace. In that month, purchases of livestock rose a dramatic 22 percent.

January-September purchases of milk and eggs climbed 1 and 9 percent, respectively, from those of the year-earlier period, with September purchases of eggs up 8 percent and those of milk off 2 percent.

The lower availability of Government-held livestock for slaughter carried over into industrial output of meat. During September, this rose only 4 percent from the same month of 1974, whereas August production leaped 20 percent. The net outcome was an 11 percent advance in output for January-September 1975.

Industrial output of whole milk products declined 1 percent in September as declining milk production in the socialized sector restricted State purchases. Yet milk-product output in January-September was still 4 percent above that in the 1974 period.

Meanwhile, meat output on State and collective farms showed conflicting trends. Pork output in September rose 30 percent from the year earlier, following a dramatic August leap of 80 percent. Reduced slaughter weights probably contributed to this slowdown, as well as to the 18 and 11 percent declines, respectively, in September output of beef and mutton and lamb.

Also, the Soviets may be holding back on slaughter of cattle—and possibly sheep and goats—to allow a longer grazing period for lighter weight animals.

—Angel O. Byrne, ERS

LIVESTOCK ON USSR STATE AND COLLECTIVE FARMS ON OCTOBER 1, 1973-75

Category	1973	1974	1975	1975 as share of 1974
	Mil. head	*Mil. head*	*Mil. head*	*Percent*
Total cattle	79.0	81.8	84.7	+ 4
(Cows)	(25.9)	(26.7)	(27.4)	(+ 3)
Hogs	54.2	56.7	49.7	−12
Sheep and goats	122.8	127.5	127.3	0
Poultry	411.2	454.0	418.4	− 8

OUTPUT OF LIVESTOCK PRODUCTS ON USSR STATE AND COLLECTIVE FARMS

Category	September			January-September	
	1974	1975	Change from 1974	1975	Change from 1974
	1,000 M.T.	*1,000 M.T.*	*Percent*	*1,000 M.T.*	*Percent*
Meats:[1]					
Beef	1,028	838	−18	6,280	+ 1
Pork	425	555	+30	3,630	+17
Poultry meat	105	122	+16	751	+19
Mutton and lamb	283	252	−11	824	+ 1
Total meat	1,841	1,817	− 1	11,485	+ 7
Milk	5,085	4,964	− 2	50,795	+ 1
	Bil.	*Bil.*	*Percent*	*Bil.*	*Percent*
Eggs	2.3	2.4	+ 6	25.9	+ 9

[1] Liveweight basis.

U.K. Agricultural Planners Project Long-Term Growth

By MARSHALL H. COHEN
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SINCE THE LATE 1960's, both major political parties in the United Kingdom have attempted periodically to formulate agricultural policies that encourage and stimulate greater farm output.

The justification has been largely financial (originally framed under a broad import-saving role for agriculture), reflecting chronic balance-of-payments deficits, high inflation, and—in recent years—sharp increases in world commodity prices, particularly for grains and protein feeds.

The incumbent Labor Government's most recent pronouncement of a production expansion policy was published in April 1975 in an official white paper, "Food From Our Own Resources."

The conclusions in the report were based on a wide range of discussions with farmers, consumers, and industrialists. The report—with slight differences—also agreed with and drew upon many policy conclusions presented in a companion paper published in March by the National Farmer's Union (NFU), "Farm and Food Policy for the Next Five Years."

Although neither Government officials nor farm groups foresee any short-run likelihood of an expansion phase in British agriculture—a severe cost-price squeeze and poor weather has resulted in a downturn in agricultural investment and output in 1975—the report more likely indicates a medium or long-term policy direction.

"Food From Our Own Resources" calls for an annual increase in agricultural output of 2.5 percent over the next 5 years, resulting in an estimated import savings by 1980 of approximately $1.2 billion.

Although the report was not intended to spell out specifically a precise methodology for increasing output, it does contain guidelines for production of certain commodities and, importantly, contains firm economic justifications for increasing domestic output.

The report cites the strong effect of rising world food prices on the U.K. economy. Food import prices, which rose only by 4.2 percent annually during the period 1962-1972, increased alarmingly by nearly one-third annually in the 1972-1974 period, contributing to a 14 percent inflation rate in 1974 and a 25 percent rate during 1975. During the 1972-1974 period, the U.K. net trade deficit for foodstuffs (including beverages) rose from $4.1 billion to nearly $7 billion, according to the study.

The report foresees a potential production increase in a broad range of commodities, with stress on milk, beef, oilseeds, pork, mutton, and sugar, and —to a lesser extent—grains. The emphasis is on an expansion in the livestock sector rather than grains (livestock and livestock products normally represent about 70 percent of farm output)—a conclusion supported by alternative projections in the NFU study.

It is, however, generally acknowledged by experts in the United Kingdom that expanded livestock output would be based largely on more efficient use of grass.

ALTHOUGH it is technically possible to achieve even greater grain yields, grain area has nearly reached its limit, and grain yields (1975 was an exception) have trended higher since 1970. The target levels for the various commodities in the Government report follow:

Grain: The report projects an increase of only 1.5 million tons of grain over base period levels to 17.8 million tons. Most of the increase is likely to occur in feedgrains. Since 1969, the proportion of homegrown soft wheat used in flour milling has risen sharply—from one-third to one-half—and there is little opportunity for further substitution without major changes in baking technology.

There is, furthermore, limited scope for substituting domestically grown grains for imported feed (particularly corn). Use of wheat for feed jumped sharply following the 1974 record crop, and represents about 30 percent of grain consumption. Much of the wheat is a new high-yield soft wheat (Maris Huntsman variety).

Higher costs of production were noted in the NFU report as inhibiting factors in grain output.

Oilseed: Reflecting strong demand and profitability for oilseeds, total 1980 output is projected to rise to 203,000 tons—up by 153,000 tons. Most of the crop is rapeseed, the most important oilseed produced domestically.

The NFU report foresees a potential rise in rapeseed area from about 60,000 acres in 1974 to 150,000 acres by 1980. In 1975, there was a 52 percent rise in the area sown to rapeseed to about 90,000 acres. In addition to higher demand from manufacturing, a rise in the demand and price for rapeseed for feed could stimulate output.

Sugar: The report projects a sharp rise in output of sugarbeets by 1980 of 2.2 million tons to a total 9.6 million tons. The expansion in sugarbeet acreage has already begun, stimulated by an agreement to raise U.K. beet sugar prices to European Community levels this year—ahead of the transition schedule, which calls for equalized prices by 1978.

Sugar production quotas in the United Kingdom have been raised substantially by the EC. The British Sugar Company expects total contracted acreage to increase gradually, although area in 1975 at 480,000 acres remained near last year's level.

The prolonged drought in the summer of 1975 retarded root growth and output is likely to be down for the second successive year—to about 5.5 million tons of sugarbeets.

Dairy beef: The projections envisage a substantial increase of 620 million gallons in milk output by 1980 to 3.5 billion gallons.

Beef, largely a byproduct of U.K. dairying, is projected to rise to 1.2 million tons by 1980—102,000 tons above the 1974/75 level. For the expansion to occur as an import saving, higher output of beef would be linked to increased use of grass—replacing greater reliance on imported feed.

The NFU report includes alternative projections. One set assumes greater expansion in the dairy and beef sectors,

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Canada Anticipates Best-Ever Corn Crop

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LATEST REPORTS on the Canadian corn crop—now being harvested—show results that are warming the hearts of Canadian farmers, livestock producers, and agricultural planners alike. Crop estimates have been revised upward to range between 125-140 million bushels—some 20 to 40 percent over last year's reduced crop and highest in Canada's history.

Canada's bumper corn harvest could, however, dampen imports from the United States this marketing year (October-September), and provide some slight competition in foreign markets. In fiscal 1975 (July-June), the United States exported an estimated 39.6 million bushels of corn to Canada—amounting to just 3.5 percent of U.S. corn shipments. But this year, Canada will probably be in the corn export business, moving perhaps 5-10 million bushels to world markets, possibly to the Soviet Union.

Underlying the optimistic outlook are sharply higher production and yields reported by farmers in the main corn-producing areas. Average corn yields, which have consistently fallen behind U.S. levels in recent years, may rival or surpass average U.S. yields in 1975.

Excellent weather throughout October permitted Canadian farmers to harvest corn well ahead of schedule, thus escaping the early frosts that menace Canadian corn growers in many years. Crop yields are reported to be excellent, with moisture content unusually low at about 20-23 percent and even 18, and practically no harvesting losses due to downed corn.

One dark cloud, however, is casting a shadow on the Canadian corn harvesting scene. Because of the stepped-up tempo of the harvest, on-farm storage and country elevators in Ontario cannot adequately handle the larger crop. Also, the movement of corn from country elevators to terminal markets is being accomplished almost entirely by truck, since hopper cars—in use for earlier-harvested crops—are practically unavailable.

A continuous backlog of vehicles loaded with corn—mostly shelled but some ear corn—developed at country elevators during October. By the end of the month, some elevator unloading and drying operations were curtailed as storage facilities filled to near-capacity.

Consequently, farmers are unable to move ahead with harvesting until grains move out of country elevators to terminal markets or unless they are able to secure other storage facilities, including temporary on-farm storage.

Contrary to usual grains marketing procedures, Canada has no marketing board for corn. The Ontario Grain Corn Council (OGCC), however, is actively seeking better storage and transportation facilities for corn, distributes information, and encourages a better liaison between growers and buyers in the various markets for corn. The OGCC is also involved in lobbying activities, including encouraging the Federal Government to enact an accelerated tax depreciation schedule for corn drying and storage facilities.

Canada's corn grain[1] production has increased sharply over the past decade. In 1974, corn accounted for nearly 9 percent of Canada's total grain production and nearly 17 percent of coarse grain production. Approximately 9 out of 10 bushels are grown in Ontario, with Quebec the second major producer. Production in Manitoba has never reached a million bushels (880,000 bushels in 1973) and totaled only 190,000 bushels in 1974. Although production in all three Provinces varies substantially from year-to-year, the largest percentage annual variation in recent years has occurred in Manitoba.

Despite this year's production surge, however, corn shows little sign of rivaling barley as Canada's principal feedgrain. Barley production in the 1975/76 marketing year (August-July) is projected at 9.2 million metric tons (423 million bushels), of which about a third will probably be exported to world markets.

Corn grain production in Canada is well established and future expansion in output can be expected. Increased livestock production, however, will tend to dampen gains in the level of self-sufficiency in feedgrains in eastern Canada.

[1] **Corn silage is also an important crop. In both 1974 and 1975, over 1 million acres was planted to corn silage.**

CANADA: GRAIN PRODUCTION, 1964/65 TO 1973/74 AVG, AND 1974/75

Grain	1964/65 to 1973/74 avg.	1974/75[1]
	1,000 tons	*1,000 tons*
Wheat	16,338	14,221
Oats	5,465	3,929
Barley	7,925	8,585
Corn	2,120	2,598
Rye	406	488
	Percent	*Percent*
Corn as share of above grains	6.6	8.7
Corn as share of coarse grains	13.3	16.7

[1] Preliminary.

CORN GRAIN PRODUCTION, 1966 TO 1975

Year	Canada	Ontario	Quebec	Manitoba	Total area
	1,000 bu.	*1,000 bu.*	*1,000 bu.*	*1,000 bu.*	*1,000 acres*
1966	66,328	65,081	1,117	130	806.6
1967	74,130	72,250	1,605	275	876.1
1968	81,744	78,957	2,687	100	964.3
1969	74,126	70,218	3,808	100	987.2
1970	103,684	95,625	7,919	140	1,233.8
1971	115,977	102,303	13,234	440	1,410.1
1972	99,538	91,200	7,638	700	1,327.0
1973	110,365	101,050	8,435	880	1,310.1
1974	101,910	90,200	11,520	190	1,460.0
1975[1]	125,000-140,000	n.a.	n.a.	n.a.	1,539.0

[1] Forecast.

Considerable discussion is being given to expanding corn production in the Prairie Provinces, but progress may be slow.

Traditionally, only about 25 percent of Ontario's corn production is marketed as grain corn—75 percent is fed on farms where it was produced. This marketing year, however, a larger percentage is likely to be sold as a cash crop, with some likely to move into export. Ontario, Quebec, and the Atlantic Provinces can absorb some of the production increase, since these areas are not self-sufficient in feedgrains.

The potential for increased corn production in Ontario is believed to be excellent. New hybrid varieties are being introduced each year, cultural practices are being improved, and modern technology is being widely applied to production and processing. Acreage is not viewed as a constraint, since corn competes effectively with pastureland and most other crops.

Lack of adequate drying and storage facilities is the major barrier to expanding corn production in Ontario. The deficiency is seen at all levels—on-farm storage, country elevators, and terminal elevators. Since corn is the last grain harvested, storage space is often preempted by other grains or by soybeans —harvested just prior to corn.

The Ontario Ministry of Agriculture and Food estimated that it cost an average of C$168.50 (C$1=approx. U.S.$1) to produce an acre of corn in southwest Ontario in 1973. Costs are estimated to have increased 25 percent in 1974, with energy-related costs rising again in 1975. Assuming an increase of 5 percent this year, per acre production costs in 1975 would approximate C$220.

Canadian corn producers—because of the relatively short frost-free growing season and cool temperatures—must give close attention to variety selection. The level of heat units that can be expected in the growing season also influences variety and planting decisions. For maximum yields, planting must occur as early as possible—soil temperature must be high enough to insure good germination—and the corn must mature before frost strikes. Good drainage—which requires tilling of fields in Ontario —proper fertilization, and weed control are also critical.

CORN GRAIN YIELDS, CANADA AND UNITED STATES, 1966 TO 1975

Year	Canada	United States
	Bu per acre	*Bu per acre*
1966	82.2	73.1
1967	84.6	80.1
1968	84.8	79.5
1969	75.1	85.9
1970	84.0	72.4
1971	82.2	88.1
1972	75.0	97.1
1973	84.2	91.2
1974	69.8	[1]71.3
1975	[2]80-90	[2]86.2

[1] Preliminary. [2] Forecast.

CANADA: ESTIMATED COST OF CORN PRODUCTION PER ACRE IN SOUTHWESTERN ONTARIO, 1973
[In Canadian dollars] [1]

Seedbed preparation	18.00
Planting	22.50
Summer operations	13.50
Harvesting	20.00
Marketing	18.00
Land use	58.00
Building use	7.00
Interest	11.50
Total cost per acre	168.50

[1] C$1 = approx. US$1. Source: *Corn in Canada—An Annual Guide for the Corn Industry—1975.*

Harvest Weather Normal for PRC Crops

If the People's Republic of China (PRC) follows its usual practice of reporting on autumn harvests, crop information will be sketchy until yearend agricultural reports have been published.

Major crops—grains, cotton, sugar, tobacco, and potatoes—apparently matured under normal weather conditions and sufficient labor was available for harvest operations.

The farm labor angle is significant. In September and October considerable emphasis was placed on the importance of performing autumn farm work—both preparing the land for planting of winter crops and gearing up to begin offseason preparation for next year's farming.

The PRC press had said very little about the autumn harvest except that it is progressing satisfactorily, is on time, and that prospects are good for bumper harvests of all crops.

Weather during September favored growth of late-maturing crops and is not assumed to have interferred with the harvest of early-maturing autumn crops.

Precipitation was adequate, and was within a normal range for most of the country, although areas in south-central China and Manchuria had less-than-normal precipitation.

A large area in west-central China and the southern portion of the North China Plain received more precipitation than usual. Above-normal precipitation in the northern part of the North China Plain during the early part of October may have interferred with the harvest and fall sowing, but probably no damage to crops occurred.

This pattern of precipitation, together with above-normal temperatures in the country, was favorable to ripening crops and was very favorable to the large operation of fall sowing of winter crops in much of the northern part of the country.

Two significant agricultural topics have been mentioned frequently in the press during recent weeks—increased emphasis on mechanization of agriculture and collective raising of hogs.

The National Agricultural Conference on September 15 claimed that present PRC farm production is meeting total needs, but stressed the importance of increasing agricultural production to complete the country's modernization.

The major goal of the Conference was completion of basic agricultural mechanization by 1980. It was implied that farm mechanization will be an important part of the forthcoming 1976-80 Fifth Five-Year Plan.

Other Conference goals—soil improvement, water control to minimize the effect of adverse weather, and efforts to increase production of chemical fertilizer—were claimed to be progressing well. As a result, the technical transformation of agriculture through mechanization and scientific experimentation for improved varieties is to be emphasized next.

The new emphasis on collective raising of hogs will give the Government more control over this important segment of PRC agriculture. Until recently, nearly all hogs produced in the PRC (except breeding stock) were raised on private plots. Hogs are cited frequently by the Government as a source of increased supplies of manure for crops, expanded exports for foreign exchange, and greater meat supplies for domestic consumption.

—Marion R. Larson, ERS

Pakistan Ups Cotton Sales Despite Tight World Market

AGGRESSIVE selling in a depressed world textile market helped Pakistan to export five-and-a-half times more raw cotton in 1974/75 than it did in the previous year. The near-record exports of 1.1 million bales (480 lb net) during August-July 1974/75 enabled Pakistan to erase unusually high stocks carried over from 1973/74 and to reduce current-year stocks.

A lower-than-expected crop this year will also help to ease Pakistan's stock worries. The 1975/76 raw cotton output will probably be about 2.86 million bales, considerably below the Government's production target of 3.3 million, but only slightly less than the 2.92 million produced in 1974/75. Continued wet weather with some flooding from extended monsoon rains and the consequent increase in insect activity are expected to combine to prevent Pakistani cotton farmers from reaching their 1975/76 goal.

With its surplus cotton sold, the Pakistani Government increased the price at which it purchases cotton from spinners. The best quality of staple cotton, AC-134/SG (lint), from the 1975/76 crop will sell for about 29 U.S. cents per lb compared with 27 cents last season.

Pakistan's exports of cotton yarn and cloth did not do nearly as well as raw cotton in 1974/75. Yarn exports fell 39 percent from the preceding year, to 265,000 bales (400 lb each), and shipments of cloth faded 22 percent, to 200,000 bales (1,500 sq yds each). The yarn exports were valued at $155 million and the cloth at $170 million, while raw cotton export sales totaled $142 million.

Production. Pakistan's 1974/75 cotton harvest of 2.92 million bales from 5 million acres was a slight improvement over the 1973/74 crop of 2.86 million bales. The 1974/75 showing might have been better but water shortages at the time of sowing and during the growing period, as well as severe pest infestation in some areas of the Punjab, reduced output.

Weather conditions were much better for the sowing of the 1975/76 crop, but several factors are expected to prevent farmers from reaching the 3.3-million-bale production target.

The area planted is believed to have dropped off somewhat because of the high price of fertilizer and the depressed cotton market. Some cotton growers diverted to coarse grains, sugarcane, and other crops.

Floods damaged cotton fields in Punjab and Sind Provinces, and the high humidity is considered ideal for insect breeding. Yields will depend on the degree of insect activity and the amount of pest control measures taken.

The Government has set a production goal for 1980 of 5.1 million bales. It intends to achieve this by improving yields from the present 318 pounds per acre to 395 pounds—by 1980.

Toward this end, the Pakistan Central Cotton Committee is financing programs throughout the country to develop high-yielding pest-resistant varieties through crop breeding and adaptive research.

The Punjab Agricultural Research Institute in Lyallpur has developed a new variety (B-557) that may replace the varieties currently used within the next few years. The new variety reportedly yields 15-40 percent more than current strains, matures 2 weeks earlier, and is resistant to pests and diseases.

In addition to its varietal improvement research, the Government is attempting to supply more cotton growers with certified seed. The Punjab Agricultural Supply Corporation distributed about 3 million pounds of cotton seed during 1974/75, three-quarters of its 4.1-million-pound target.

Mill consumption of the 1974/75 raw cotton crop was about 2 million bales, 11 percent less than the 1973/74 total. Domestic consumption declined because of a fall in cotton yarn prices on international markets, which in turn led to the closure of some inefficient mills and reduced purchases of raw cotton by others.

Stocks on July 31 were 770,000 bales, compared with 1.1 million bales at the close of 1973/74.

Trade. The Government's reduction of the export duty in mid-1974 and all-out sales promotion efforts, including price shaving, by the Cotton Export Corporation (CEC) facilitated the tremendous jump in 1974/75 raw cotton exports. The CEC apparently was exporting cotton at a loss—for about 35 U.S. cents per pound.

During 1973/74, Pakistan was unable to export much cotton because of its miscalculation of world cotton price trends, and the imposition of an excessively high export duty. The result was large surplus stocks carried into the 1974/75 marketing year.

Japan and Hong Kong remained Pakistan's principal markets for raw cotton in 1974/75. During the first 9 months of that period, Japan bought more than 166,000 bales and Hong Kong took about 163,000 bales.

Other major buyers of Pakistani cotton were the People's Republic of China (PRC) and Belgium, which imported 80,000 bales and 36,000 bales, respectively. Poland bought about 27,000 bales, and Romania, 23,000 bales. Bangladesh does not have diplomatic relations with Pakistan, but imported indirectly about 36,000 bales.

THIS SEASON, Pakistan is expected to export about 815,000 bales of raw cotton, including 163,000 bales to India under terms of an agreement signed in 1974/75. If the political situation remains fairly stable, both India and Bangladesh could develop into important new markets.

The 39-percent decline in Pakistani exports of cotton yarn was caused by a slump in the Hong Kong market and by severe competition in traditional Asian markets from South Korea, Taiwan, Turkey, and Brazil. Pakistan's biggest customers for yarn during 1974/75 were Hong Kong, Japan, and Yugoslavia.

Prospects for 1975/76 yarn exports look somewhat brighter. A sales mission sent to Europe obtained purchase commitments for cotton products totaling $11.1 million and the Government signed contracts with Sudan, Sri Lanka, and several European countries for exports of quality yarn. Pakistan is selling 20,000-30,000 bales (400 lb each) of yarn to Sudan on deferred payments.

Pakistan's exports of cotton cloth were another victim of increased competition in the tight world textile market. Pakistan faced especially tough competition from South Korea in markets for bleached, dyed, and printed cloth.

Technological improvements in the textile industries of the United Kingdom and Japan hurt Pakistan's com-

petitive position, and Italy received permission from the European Community to resist cotton cloth imports from Pakistan, India, and Taiwan.

Major destinations for the 200,000 bales (1,500 sq yds each) of Pakistani cotton cloth exported in 1974/75 were the Sudan, the United Kingdom, the Persian Gulf, Poland, and Saudi Arabia. The Government sent sales missions to Japan, Hong Kong, Indonesia, Singapore, Malaysia, and Thailand, where cotton textile exports have lagged in the past 2 years.

Pakistan and the EC recently signed a 3-year bilateral agreement for 1976-78, whereby Pakistan will ship 16,000 metric tons of cotton textiles annually to the EC. Pakistan also signed substantial new contracts for sale of cotton textiles with Finland, North Korea, and the United Kingdom.

Prices. The prices of Pakistani cotton began picking up around January 1975 after the CEC succeeded in selling its surplus supplies. Average spot prices on the Karachi market for AC-134 hit their low in December 1974 at 26 cents per pound, but improved to 31 cents by April 1975. Over the same period the price of the Sind desi variety climbed from 25 cents to 25.5 cents. The AC-134/SG variety is presently selling for 32 cents per pound, and the Sind desi for 24 cents.

The Government's decision to enter the market and procure surplus cotton lint from ginners at a floor price of 27 cents per pound (for AC-134) greatly relieved the depressed market conditions in Pakistan. It is believed there would have been a total collapse in the cotton market had it not been for the price support program, under which the CEC procured about 1.1 million bales.

Cotton growers were receiving 9-11 cents per pound for seed cotton during 1974/75 and the floor price for 1975/76 will probably be raised to 11-12 cents per pound.

THE GOVERNMENT also assisted Pakistan's cotton yarn industry in 1974/75. In March 1975, the Trading Corporation of Pakistan (TCP) issued tenders for purchase of about 10 million pounds of cotton yarn for export, in an effort to bolster the hard-pressed local industry and improve the mills' liquidity position.

TCP's entering the market immediately firmed up yarn prices, to 47-48 cents per pound in April/May, from 42 cents in March. Some improvement in demand abroad caused prices to rise further, to about 50 cents per pound, where they have remained fairly stable.

The duty on 1975/76 exports of raw cotton and cotton yarn has been maintained at the previous year's level of 35 percent, ad valorem. The export levy on staple cotton also remains at 35 percent, ad valorem, and that on desi cotton at 25 percent, ad valorem. Cotton yarn of 21-24 counts is charged at 20 percent while there is no duty on textile exports.

Textile industry. Pakistan's textile industry faced serious problems in 1974/75, with the depressed world market for cotton yarn and cloth causing a decline in exports and a large accumulation of stocks. Textile mills bought less raw cotton, which meant declining domestic consumption and rising raw cotton stocks.

The textile industry is likely to continue to operate at a lower consumption level of raw cotton as long as depressed international demand persists.

Pakistani farmer brings his cotton to a gin in the Hyderabad area (above). After ginning, the bales are weighed (right), then await shipment (below) either to domestic mills or to markets abroad. In 1974/75, Pakistan exported a little more than a third of its raw cotton production. A considerable portion of last year's harvest also reached foreign markets in the form of cotton yarn or cloth.

The Government's long-run policy for the Pakistani textile industry stresses modernization, balancing spinning capacity with the larger weaving capacity, and avoidance of excessive reliance on export markets. The Government intends to install an additional 800,000 spindles by 1980.

—Based on a report from
Office of U.S. Agricultural Attaché
Islamabad

Reach $4.74 billion

1st Quarter Farm Exports Up; Generate U.S. Trade Surplus

By SALLY E. BREEDLOVE
Foreign Demand and Competition Division
Economic Research Service

UNITED STATES agricultural exports for fiscal 1976[1] have gotten off to a strong start. First-quarter (July-September) shipments reached a record $4.74 billion, 6 percent above the total for the same period last year. Export volume was a steep 14 percent higher, totaling 23 million metric tons.

U.S. agricultural imports were valued at $2.4 billion, compared with $2.5 billion in last year's first quarter, giving the United States a favorable balance of agricultural trade of $2.3 billion. The farm surplus more than offset the $1-billion deficit of nonagricultural trade and resulted in a $1.3-billion U.S. trade surplus for July-September 1975.

Significant value and volume increases were recorded for exports of wheat, soybeans, cotton, and feedgrains. Exports of rice, tobacco, and oil-meal fell substantially below year-earlier levels.

The leading markets for U.S. farm exports in 1975 maintained their strong demand during the first quarter of 1976. Among the fastest growing markets were the USSR, Republic of China (Taiwan), Brazil, and Egypt, each of which more than doubled the value of their U.S. agricultural imports from July-September 1974 levels.

Iran and Mexico, two of 1975's expansionary markets, reduced their imports of U.S. farm products to less than half the year-earlier value. The United States sent no agricultural products to the People's Republic of China (PRC) during July-September 1975 though farm exports there totaled $227 million during July-September 1974.

U.S. **wheat** exports totaled $1.4 billion and 337 million bushels during the first quarter of 1976, about 28 percent above year-earlier levels, led by a rise in Soviet imports of U.S. wheat from 2.5 million bushels to 49 million. Export unit value dropped slightly to $4.22 per bushel.

Brazil nearly doubled its imports of U.S. wheat, compared with July-September 1974. India and Japan increased the volume of their imports by 11 percent and 4 percent, respectively.

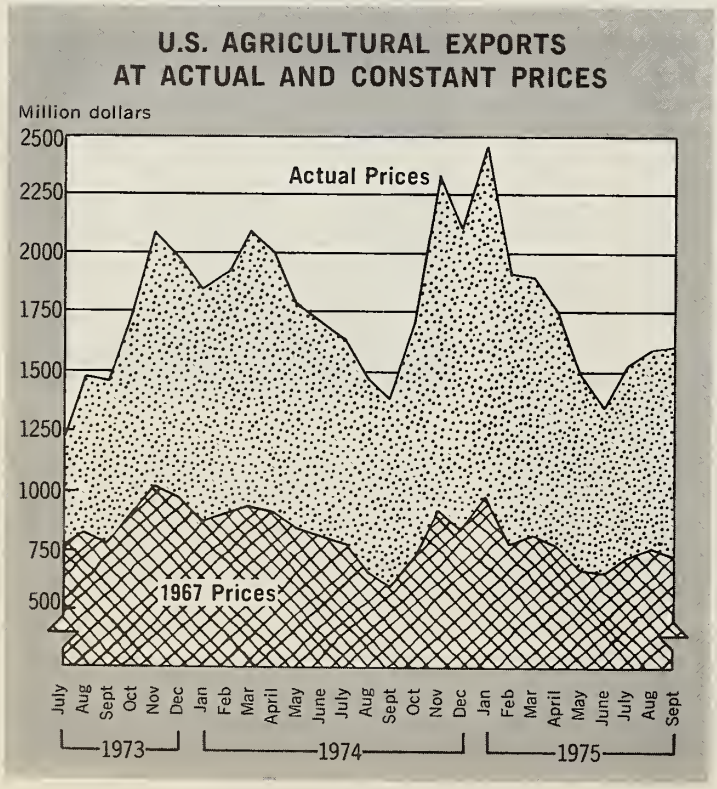
July-September **corn** exports totaled $763 million and 232 million bushels, compared with $703 million and 220 million bushels for the same months last year. Exports to Italy were almost double the year-earlier volume, and corn shipments to West Germany, Japan, and Spain also grew. Export volume fell 14 percent to the Netherlands, and 78 percent to Mexico.

Grain sorghum export volume was up 35 percent during the first quarter of 1976, and value climbed 30 percent to $221 million. Grain sorghum exports were up to all major markets except Japan and Israel.

Rice exports totaled $120 million during July-September 1975, 34 percent below the year-earlier value, and volume fell 21 percent. Export unit value was 18.8 cents per pound, down from 22.3 cents per pound for July-September 1974.

Rice exports to last year's leading markets dropped sharply, but Bangla-

[1] **All years are fiscal.**



U.S. AGRICULTURAL EXPORTS BY REGIONS

Region [1]	July-September 1974	July-September 1975	Change
	Million dollars	*Million dollars*	*Percent*
Western Europe	1,204	1,456	+ 21
European Community	984	1,204	+ 22
Other Western Europe	220	252	+ 15
Eastern Europe and USSR	119	326	+174
USSR	32	231	+622
Eastern Europe	88	95	+ 8
Asia	1,960	1,705	— 13
West Asia	315	206	— 35
South Asia	308	291	— 5
Southeast Asia (excl. Japan & PRC)	407	478	+ 17
Japan	702	730	+ 4
People's Republic of China	227	0	—
Latin America	560	504	— 10
Canada excluding transshipments	297	329	+ 11
Canadian transshipments	73	127	+ 74
Africa	214	268	+ 25
Oceania	38	27	— 29
Total [2]	4,467	4,743	+ 6

[1] Not adjusted for transshipments. [2] Totals may not add due to rounding.

desh, Iraq, Tanzania, Canada, and Syria greatly increased their purchases.

July-September **soybean** exports totaled 89 million bushels, 25 percent above the July-September 1974 volume. Soybean sales were valued at $532 million, 8 percent above the year-earlier level. Shipments to Spain were down 15 percent, but exports to Japan, the Netherlands, Taiwan, West Germany, and Italy expanded considerably.

The value of U.S. **oilcake and meal** exports fell 17 percent to $143 million during July-September 1975, and volume fell 18 percent to 956,000 short tons. Exports to the European Community, at $101 million, were 20 percent below those of a year earlier.

July-September 1975 **vegetable oil** exports were valued at $101 million, compared with $220 million for the same period last year. Large supplies of Malaysian palm oil proved to be strong competition for U.S. vegetable oils.

Soybean oil exports dropped in value to $31 million from $134 million and volume decreased by 78 percent. July-September cottonseed oil exports were up 3 percent in value and 28 percent in volume from year-earlier levels. Exports to Egypt, Venezuela, and West Germany were up sharply.

U.S. exports of **animals and animal products** were valued at $366 million during the first quarter of 1976, down from $404 million for the same period last year. Decreases in exports of tallow, cattle hides, and live animals more than offset increases in sales of dairy products, meats, and poultry products.

First-quarter **cotton** exports totaled $244 million and 939,000 running bales, compared with $217 million and 812,000 bales for the same months last year. Cotton shipments to Southeast and East Asia (excluding Japan and the PRC) were up 86 percent from the year-earlier volume, while those to Japan shrank 18 percent.

U.S. **fruit** exports totaled $188 million during July-September 1975, up 16 percent from the year-earlier value. Export value rose for dried, canned, and fresh fruits, and fruit juices.

July-September **tobacco** exports (including bulk smoking tobacco) were valued at $162 million, compared with $175 million for that period in 1974. Volume, at 109 million pounds, was 24 percent below the year-earlier level, largely because of a 40-percent decrease in shipments to the EC.

U.S. AGRICULTURAL EXPORTS BY COMMODITY VALUE
JULY-SEPTEMBER 1974 AND 1975

Commodity	July-September 1974	July-September 1975	Change from 1974 to 1975
	Million dollars	*Million dollars*	*Percent*
Animals and animal products:			
Dairy products	18	27	+47
Fats, oils, and greases	143	60	−50
Hides and skins, incl. furskins	89	80	−10
Meats and meat products	77	117	+52
Poultry and poultry products	34	42	+23
Other	43	40	− 7
Total animals and products	404	366	− 9
Grains and preparations:			
Feedgrains, excluding products	902	997	+11
Rice	181	120	−34
Wheat and major wheat products	1,169	1,460	+25
Other	44	39	−11
Total grains and preparations	2,296	2,616	+14
Oilseeds and products:			
Cottonseed and soybean oil	169	67	−60
Soybeans	494	532	+ 8
Protein meal	173	143	−17
Other	84	79	− 6
Total oilseeds and products	920	821	−11
Other products and preparations:			
Cotton, excluding linters	217	244	+13
Tobacco, unmanufactured	175	162	− 7
Fruits and preparations	162	188	+16
Nuts and preparations	28	36	+28
Vegetables and preparations	104	88	−15
Other	161	222	+38
Total other products and preparations	847	940	+11
Total	4,467	4,743	+ 6

U.S. **vegetable** exports were valued at $88 million, compared with $104 million for the first quarter of last year. The decline reflects a sharp reduction in pulse exports, from $32 million to $11 million.

July-September U.S. agricultural exports to **the EC** were valued at $1.2 billion, 22 percent above the year-earlier level. Large volume increases for exports of wheat, dried fruits, soybeans, and corn more than offset sharp declines in shipments of oil-meal, tobacco, tallow, and variety meats.

The United States exported $730 million worth of agricultural products to **Japan** during the first quarter of 1976. Export volume increases for corn, whole cattle hides, pork, soybeans, and wheat exceeded the decline in sales of cotton, grain sorghum, and citrus fruits.

July-September exports to **Latin America** were valued at $504 million, 10 percent below the July-September 1974 value. U.S. wheat exports to Latin America were valued at $219 million during the first quarter of 1976 and volume, at 53 million bushels, was 20 percent above the year-earlier level. Exports of live animals, grain sorghum, tallow, and cottonseed oil were also up.

First-quarter farm exports to **Southeast and East Asia** (excluding Japan and the PRC) were valued at $478 million, compared with $407 million during July-September 1974. Cotton exports to the region jumped 87 percent to 722,000 bales. Corn, soybean, and wheat exports also increased sharply in volume, while rice exports fell 80 percent.

The United States exported $200 million worth of farm products to **West Asia** during July-September 1975, 29 percent less than during the same months a year earlier. Exports to Iran, Iraq, and Saudi Arabia declined.

July-September exports to the **USSR** were valued at $231 million, compared with $32 million during July-September 1974. Wheat shipments to the Soviet Union were 1.3 million tons, valued at $222 million, and corn exports totaled 49,000 tons, valued at $7 million.

West Germany's Cotton Use Seen Increasing Moderately

West Germany, Western Europe's most important cotton-consuming nation, is expected to expand its cotton usage somewhat in the 1975/76 season.

However, the expected gain to 987,000 bales (480 lb net) would be only a modest recovery from the 964,000 bales consumed in 1974/75—a total that was 6.7 percent lower than the preceding season's usage.

The share of U.S. cotton in total German raw cotton imports dropped significantly from 11.5 percent during the 1973/74 season to 5.6 percent in 1974/75. The U.S. share is expected to total about 5 percent—approximately 50,000 bales—during the 1975/76 marketing season.

Except for California cotton, prices for U.S. cotton varieties could not compete successfully in the German market during 1974/75 with other growths—especially those from Central America and Colombia. Nor is U.S. cotton expected to become more competitive during the 1975/76 season—partly because of price, but also because of the relatively small U.S. cotton crop expected in 1975/76 and increasing domestic cotton consumption in the United States.

The small increase anticipated in West German cotton consumption during 1975/76 is based on several factors, including:

• Yarn production and consumption. Yarn orders booked by spinners and yarn destined for stocks indicate a possible reversal of the downtrend in the German textile industry. Such orders reached a record low in February 1975, but have increased continuously since. Spinners' stocks reached a record high in March, and have been trending down since that time.

• Interfiber competition. The share of the market held by cotton as compared with that held by manmade fibers increased from 58.5 percent during the 1973/74 season to 62.3 percent during the first 9 months of the 1974/75 season—the first increase in cotton's share since 1966/67. To some extent, this increase may be attributable to the relatively high prices of manmade fibers during the 1974/75 season. Two other important reasons may be fashion trends and consumer preference for natural fibers or blends consisting chiefly of natural fibers.

• Textile trade balance. Total imports of cotton textiles increased by 9.5 percent in 1974/75 over the 1973/74 total, and a further increase in 1975/76 is viewed as likely because of the high percentage of imported textile products consumed in West Germany. However, some of these imports are by German firms having production facilities abroad.

• Consumer demand. Textile retail trade sources report apparel stocks were almost depleted last summer, and that the trade has placed sizable orders to replenish stocks. Fashion trends and consumer preferences favor textiles made wholly or predominantly of natural fibers for such items as outerwear, underwear, leisurewear, and household textiles.

West Germany's imports of raw cotton during 1975/76 are estimated at 1.010 million bales, 49,000 bales fewer than in the 1974/75 season—a forecast based on the expectation of only moderately increasing consumption of raw cotton and a reduction of expensive stocks. Total raw cotton imports of 1.059 million bales during the 1974/75 season were higher than expected in view of the German textile industry's depressed economic situation and the resulting decreased consumption of raw cotton.

Cotton holdings by spinners and dealers during the 1974/75 season increased 14 percent from 262,000 bales at the start of the season to 298,000 bales on July 31, 1975. A decrease to 253,000 bales by the end of the season is expected. Because of uncertainty over the economic state of the industry, spinners have been ordering cautiously and keeping their stocks at minimums. A level of 253,000 bales is sufficient to cover German mill consumption for about 3 months—enough to ensure smooth mill operations.

Prices on the Bremen Cotton Exchange for all growths decreased continuously from August to December 1974 for an overall average decrease of 15 U.S. cents per pound. From January to September 1975, prices for most growths increased almost to the level of August 1974.

Prices for manmade fibers dropped significantly during the first 6 months of the 1974/75 season but increased again in mid-1975, despite the decline in manmade fiber consumption. Synthetic fiber manufacturers have already announced further price increases because of rising production and raw material costs. In view of the present economic situation of the German textile industry, some of these higher prices may not prevail.

—Based on report from
Office of U.S. Consul General, Bremen

Brazil Seeks Larger Share of Farm Trade

Brazil's Government-industry organization, Compania Brasileira de Entreposto e Comercio (COBEC), in a move to stimulate involvement of domestic companies in export trade and to provide the Government with an instrument for closing bilateral trade contracts, has sent a representative to the Chicago Board of Trade to engage in futures trading, hedging, and similar commodity trading practices.

COBEC President Paulo Konder Bornhausen argues that Brazil's rapidly expanding export trade in agricultural commodities ($4.8 billion in calendar 1974; an estimated $6.5-$7 billion in 1975) should not be left entirely to multinational firms.

COBEC is offering Brazilian companies storage facilities at ports so that they are not forced to accept the first offer or be caught at a price disadvantage because of lack of such facilities. Also, an opportunity to discount paper at 80 percent of product value in storage could strengthen their financial position and could lessen their need to turn to multinational firms, COBEC notes.

Referring to the goal of expanding Brazil's bilateral trade contracts, Mr. Bornhausen states that an agreement has been reached between COBEC and Nigeria, the world's fifth largest oil producer, and another is under consideration with Iran, which could be a starting point for COBES negotiations with other Mideast countries. Details of the agreements were not spelled out.

—Based on report from
Office of U.S. Agricultural Attaché, Brasília

U.K. Agricultural Planners

Continued from page 5

while a second set—a less likely alternative—is based on a larger increase in the arable sector. Both sets assume an increase in grassland utilization.

UNDER THE FIRST SET, the dairy herd is projected to rise by 400,000 head to 3.75 million. Assuming a greater yield among normally lower yielding herds by breed improvement and disease eradication, the study projects an increase in milk production of 650 million gallons under the first projection and one of 450 million gallons under the second. This expansion would substitute for heavy imports of butter and cheese.

The United Kingdom is a dominant world importer of butterfat ($768 million worth in 1974), although it does export specialty dairy products.

Similarly, the former projection increases the beef breeding herd to 2 million by 1980—slightly above the 1.9 million in the base period. A rise in beef output of 105,000 tons to 1.15 million tons reflects greater output from the dairy herd. The latter projection holds the beef herd constant at base-period levels. Beef output in 1980 is held to about 1 million tons.

The report emphasizes that a sustained increase in milk output will require new investment and efficient use of fertilizer, feed, and other inputs. Dairy farmers would require sufficient confidence that milk and beef prices would be adequate to finance such expansion.

Hogs, Poultry, Eggs: Output of these products, representing about 20 percent of agricultural production, is projected to match the rise in demand. The United Kingdom is largely self-sufficient in eggs and poultry, but imports about half its bacon.

The increase in output in these sectors would reflect higher levels of efficiency in feed conversion. These products do not compete with other uses of land. However, expanded output of bacon and pork would be limited by strong competition from Denmark—a major EC supplier.

Lamb, mutton: Since lamb and mutton imports represent about 40 percent of consumption, the Government expects that by 1980 production can be expanded. With higher output in areas suited to sheep husbandry—i.e., hills and uplands—production could rise by 49,000 to 295,000 head by 1980.

Despite the interest of policymakers in expanding output, farmers and some farm groups are skeptical as to success. Although experts forecast an economic upturn beginning in 1976, activity has sagged dangerously while prices have soared.

Currently, the major economic policy is to reduce the rate of inflation by 1976 from the present level of 25 percent to 10 percent—largely via wage and price controls and dividend limitations and controlled budget expenditure. Thus, stimulating farm investment and raising farm prices to incentive levels without fueling price rises will be difficult—particularly in the hard-hit dairy sector.

The June 1975 census indicated a 7 percent decline in the number of dairy cows to about 3.1 million—a decline that reflects a high rate of slaughter resulting from rising costs, the Dairy Herd (Beef) Conversion Scheme in which farmers enrolled prior to the December 31, 1974, closing date, and the 1975 summer drought. Consequently, milk supplies have been extremely tight, forcing a halt in butter production to ensure sufficient fluid milk supplies.

UNITED KINGDOM: FARM PRODUCTION GOALS

Commodity	Unit	1974/75[1]	1980[2]
Grains	Mil. tons	16.26	17.78
Sugarbeets	Mil. tons	7.37	9.60
Oilseeds	Thou. tons	49.80	203
Milk	Mil. gals.	2,916	3,536
Beef	Thou. tons	1,096	1,198
Pork	Thou. tons	952	1,054
Lamb, mutton	Thou. tons	246	295
Poultry	Thou. tons	638	714

[1] Estimated [2] Possible

Source: "Food From Our Own Resources," U.K. Ministry of Agriculture.

Although prices paid milk producers since September 1975 have been increasing, dairy farmers believe the increase has been insufficient to offset their higher costs, particularly for concentrates needed to compensate for the shortfall in feedgrains and silage.

Meanwhile, dairy farmers have pressed for and received higher milk prices via EC-approved devaluations of the so-called green pound (used in calculating official U.K. agricultural prices relative to the EC unit of account).

There are grounds to support expansion in U.K. agriculture in the long run. British farmers are highly skilled and labor productivity is relatively high. Only 3 percent of the labor force is in farming, producing 55 percent of food requirements. This percentage has remained relatively constant, despite increased demand in the past decade.

Average U.K. farm size—the largest in Western Europe—continues to increase, and now is 239 acres, although the number of farms continues to decline. Net farm income has nearly doubled in the 1963/64-1973/74 decade.

The deterioration in net income since 1974 partly reflects global conditions—high world raw material prices and an international recession that compounded existing internal economic problems.

ALTHOUGH independent policy action in the United Kingdom is limited by EC rules—such policy must follow Common Agricultural Policy guidelines—the recent commitment of British farmers to EC membership in the June 1975 referendum represented a vote of confidence in the long-range interests of the EC despite a dimension of uncertainty as to future EC policy goals.

Meanwhile, EC farm ministers in July and again in October devalued the green pound by 5 percent and 5.8 percent, respectively, in an effort to raise farm prices. The commercial sterling rate had diverged by 20 percent from most EC currencies.

The U.K. Ministry of Agriculture estimated that these devaluations would increase farmers' prices and stop the decline in dairy herds, while contributing only slightly to an increase in the food price index. However, farm groups, particularly representatives of the hard-hit dairy sector, argued that the increase in prices resulting from the devaluations would be insufficient to contain cost increases.

In addition, the Ministry of Agriculture has made available to dairy farmers about $15 million in emergency support funds.

Discussions between farm groups and the Government are continuing, and after these problems have been worked out, the Government is likely to press for more specific policy guidelines within the framework of the EC to encourage the expansion in output as discussed in "Food From Our Own Resources."

CROPS & MARKETS

GRAINS • FEEDS • PULSES • SEEDS

South Korea's Rice Crop Threatened. A late-season attack of brown plant hopper has reduced South Korea's rice yield prospects, and even with larger areas of high-yield varieties the crop may not exceed the 1974 record of 4.45 million tons. Because of limited foreign exchange, the country may make no commercial purchases of rice this year. (These amounted to more than 300,000 tons in 1974/75.) Korea is striving for rice self-sufficiency while continuing 2 riceless days per week and the 70-30 mixture of rice and barley to extend rice supplies.

Rotterdam Grain Prices and Levies. Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Nov. 10	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	6.24	— 1	6.47
USSR SKS-14	(1)	(1)	(1)
French Feed Milling [2]	3.53	— 7	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	5.06	—12	6.40
U.S. No. 2 Hard Winter:			
13.5 percent	4.89	—10	6.34
No. 3 Hard Amber Durum	6.23	— 8	8.26
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	4.08	— 7	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.11	— 8	4.24
French Maize [2]	3.30	— 4	(1)
Argentine Plate corn	3.62	— 6	4.52
U.S. No. 2 sorghum	3.08	—15	4.27
Argentine-Granifero sorghum	3.16	—13	4.31
U.S. No. 3 Feed barley	3.20	— 4	3.87
Soybeans:			
Brazilian	(1)	(1)	(1)
U.S. No. 2 Yellow	5.33	+ 2	8.95
EC import levies:			
Wheat	.74	— 5	0
Corn	.95	+ 7	0
Sorghum	.91	+ 4	0

[1] Not quoted. [2] Basis c.i.f. west coast, England

NOTE: Price basis 30- to 60-day delivery

India May Harvest Record Rice Crop. The past summer's excellent monsoon promises India a record or near-record 1975 kharif crop—mainly rice—to be harvested during the next few months. This prospective crop is in sharp contrast to last year's drought-stricken harvest that caused a sharp drawdown in foodgrain stocks. In spite of this year's big kharif crop, which could exceed 70 million metric tons as compared with 59 million tons last year, foodgrain imports are expected to continue at a high level. Foodgrain imports—mainly wheat—are estimated in the 5-5.5-million-ton range, about equal to the 1974/75 level. The Government has stated its objective of rebuilding grain stocks.

COTTON

Argentina Reports Good Cotton Sales. Argentina's excellent 1974/75 cotton crop of 735,000 bales resulted in record export availabilities and good sales under an export quota of 320,000 bales set last July for the 1974/75 crop. Most sales were to Far Eastern buyers. Exports of this level will be a record. C.i.f. export prices ranging between 34 and 49 cents per pound, depending on grade, have been competitive in Far Eastern markets but well below domestic prices. In order to promote exports, the Government withdrew export duties and granted a subsidy to exporters to cover the differential between domestic and export prices. In the past, very large year-to-year fluctuations in production have sharply affected yearly exports. In the past 10 years, exports have varied from none to as much as 210,000 bales.

Argentine cotton farmers, enthusiastic over last season's record crop and good sales, are expected to plant a near-normal area of around 1.2 million acres this season. Through the end of October, planting was reportedly progressing very well with good moisture and favorable temperatures. However, last season's record yields may not be equaled.

USSR Cotton Deliveries Lag. Procurement of seed cotton in the Soviet Union in mid-October began to fall behind last year's pace. By October 21, preliminary data put procurement 6 percent behind that of a year earlier. Even so, mid-October Soviet statements continue to claim another record harvest. A cold snap that hit Central Asia October 15-16 was accompanied by some rain and dropped temperatures to below freezing. Cold weather prevailed at least until October 20. The FAS production estimate remains unchanged—the same as or slightly better than the 1974/75 record level of 12.9 million bales (480 lb net).

Canada Imported Less Cotton in 1974/75. Canada's raw cotton imports for the 1974/75 season (August-July) declined about 30 percent from those of the previous season to 225,000 bales, reaching their lowest level in more than 20 years. Competition from imported yarns and manmade fibers in combination with wage disputes caused textile mills to reduce cotton consumption about 90,000 bales from the 1973/74 level of 320,000 bales. Cotton imports for 1975/76 could exceed 250,000 bales, assuming some turnaround in the textile industry and settlement of labor problems.

Colombia Expects Smaller Cotton Crop. Colombia, South America's third largest cotton-producing country last season, again expects reasonably good foreign exchange earnings from cotton during 1975/76. Lower cotton exports will be at least partially offset by a larger volume of cotton textile exports.

Cotton production is forecast to decline 12 percent below last season's record 730,000 bales, but consumption is projected to pick up 16 percent to 335,000 bales on increased domestic and export textile demand. In addition to raw cotton, textile exports have rapidly become an important foreign-exchange earner. This season, textile exports should account

for about 30 percent of total cotton mill use, compared with only 7 percent last season when waning domestic and export textile demand cut total cotton mill use by 36 percent. Increased consumption and lower production this season mean cotton exports will be down perhaps 100,000 bales from last season's record 395,000 bales, but still near earlier highs. Colombia was one of the few countries last season to achieve higher raw cotton exports despite the world textile recession.

LIVESTOCK • PRODUCTS

Italian Butchers Ask Lower Beef Tax. The Italian Butchers' Association has collected about 1 million signatures on a petition to the Government asking for a decrease in the value-added tax on beef from its present level of 18 percent. The petition is meeting a cool reception from Italian cattle producers and the Government, which prefers to limit imports of cattle and thus conserve foreign exchange reserves. The European Community decision to change the import-export ratio for beef is popular with Italian consumers because of the larger number of cattle that can be imported from third countries.

Italy To Import Pork from PRC. Italy will soon import pork from the People's Republic of China (PRC), according to newspaper reports on a recent Italian trade mission to the PRC. Pork imports are intended to compensate for Italian exports of industrial products to the PRC. The Italian hog industry, now in a period of relative prosperity after an interval of low prices, is protesting the proposed imports of pork, and suggests that Italy buy other commodities—such as soybeans—from the PRC. Italy's previous purchases of pork from the PRC were about 7,000 tons in 1964.

DAIRY • POULTRY

PRC Increases Poultry Exports. The People's Republic of China (PRC) has sharply stepped up its exports of live poultry to Hong Kong to levels that in July were almost double those of July 1974. This influx into the Hong Kong market competes with U.S. exports of frozen poultry meat to that port, which in 1974 was the largest single-country market for U.S. poultry meat exports. At the July 1975 level, Hong Kong's live poultry imports—all from the PRC—were about three times the volume of imports of frozen poultry.

FRUIT • NUTS • VEGETABLES

Smaller Italian Canned Fruit Pack. Italy reports a smaller 1975 canned deciduous fruit pack. Production is estimated at 4.8 million cases, basis 24/2½, 22 percent below the 1974 pack of 6.1 million cases. Prolonged rains and unusually cold temperatures in late March and April reduced peach production in southern areas, where 80 percent of the clingstone acreage is located. Greater demand in fresh fruit consumption forced up cannery prices for both peaches and pears. This situation, added to the generally soft domestic and export markets for canned fruit, encouraged a pack cutback.

Canned pear production is estimated at 1,960,000 cases and mixed fruits at 1,176,000 cases. Both are 20 percent below their 1974 levels of 2,450,000 and 1,470,000 cases, respectively. Production of canned peaches is estimated at 833,000 cases, 37 percent below last year's. Other 1975 pack estimates: Cherries, 392,000 cases; apricots, 64,000 cases; and other, 368,000 cases.

Italy's smaller 1974/75 domestic sales of canned fruit were offset by larger exports to West Germany, the principle foreign market for Italian canned fruits. Total 1974/75 season exports of peaches are estimated at 860,000 cases, pears at 2.5 million cases, and fruit cocktail and other mixed fruits at 1.6 million cases.

Portuguese Fig Production Up. Portugal reports larger yet below-normal dried fig production. The 1975 crop is estimated at 6,000 metric tons, 33 percent above last year's but 12 percent below the 1970-74 average. Summer weather was very hot and dry in the major Algarve production area, and sizes and quality are reported below normal.

Total 1974/75 season exports of dried figs and fig paste are estimated at 1,325 tons, the lowest level in recent years. Preliminary forecasts indicate a better 1975/76 season, when exports may reach 2,000 tons. The United States is the largest market for Portuguese fig paste.

TOBACCO

Cuba To Increase Tobacco Acreage. Cuba plans to plant about 170,000 acres of tobacco for the 1975/76 season, compared with about 160,000 in 1974/75. About 140,000 acres of the estimated 1975/76 area are in the private sector. Higher yields are projected because of soil improvement, expanded irrigated area, phytosanitary treatment, and complete harvesting of the crop. The 1974/75 crop is estimated at 50,000 metric tons (110 million lb) and output in 1975/76 could amount to 53,059 tons (117 million lb).

About 65 percent of Cuba's tobacco is grown in Pinar del Rio, and about 25 percent in Las Villas.

West Germany Ups Cigarette Tax. West German tax increases scheduled for implementation in January 1977 could raise retail cigarette taxes by about 17 percent from the current average of 87 U.S. cents per pack. This could reduce cigarette sales by at least 5 percent, and the need for imports of U.S. leaf. The cigarette excise tax will be increased 18 percent and the value-added tax will be raised from 11 to 13 percent, increasing revenues by nearly $400 million over 1974 cigarette tax revenues of $3.3 billion.

West Germany also might shift the cigarette tax structure (presently 75 percent specific; 25 percent ad valorem) to a 60-40 split by January 1, 1977, and to press for an eventual harmonized EC-wide cigarette tax structure of 50 percent specific, 50 percent ad valorem.

The forthcoming tax structure shift apparently is intended to protect the real value of cigarette tax revenues against the erosive effects of inflation. The effect on manufacturers will be to amplify the retail price increases resulting from cost passthroughs, thus further encouraging manufacturers to substitute cheaper Asian, African, and Brazilian leaf for U.S. flue-cured and burley, whose share in German cigarettes has declined from 37 percent to less than 30 percent in the past 10 years.

West Germany is a key export destination for U.S. unmanufactured tobacco, accounting for fiscal 1975 shipments of 95 million pounds worth $120 million.

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Honduras Sets Emergency Food Programs

Honduras, beset by ruinous drought after several seasons of unfavorable growing weather, is buying corn and urging emergency plantings to ward off mass hunger and to keep rural residents from flocking to urban areas in search of food.

The Government has set up emergency food supply programs, and has asked for an immediate Public Law 480 program of at least 50,000 tons of corn. Total imports of corn during 1975/76 are likely to exceed 120,000 metric tons.

Rainfall in most of Honduras this year has been either nonexistent or pitifully inadequate. Many farmers, waiting for seasonal rains, failed to plant in May and June, while others put their seed into the ground only to watch the parched shoots die. Rain has been adequate only in one western frontier area, and corn is not grown there in substantial volume.

Total corn production for 1975/76 is forecast at only 220,000 tons, compared with 335,000 tons in 1974/75 and 350,000 tons in 1973/74. Sorghum production probably will be little changed from the 38,000-ton level of 1974/75, although projected additional late plantings in areas too dry for corn could boost the result to a somewhat higher level.

The Government launched a $3 million planting program on July 28, despite the risks of planting between the traditional planting times for the *primera* (first crop; sown in May) and the *postrera* (second crop; sown in September). Some experts believe there is a danger of losing most of the inputs invested in the program.

The program is focused principally on the seriously stricken Departments of Choluteca, Olancho, El Paraiso, Yoro, and part of Comayagua, which normally yield about 30 quintals of corn per manzana (1.727 acres). The current yield appears to be two quintals or less. Countrywide, probably no more than 20 percent of the *primera* will be harvested.

The Government hopes the harvest from the emergency plantings will amount to about 2 million quintals in a commercial farm zone of 43,000 hectares and 1.1 million quintals from some 114,000 hectares on hillsides and small plots where hand labor and primitive techniques are still in use. The hoped-for-yield in the advanced area, where 50 quintals per hectare is usual, is 30 quintals; in the traditional areas, yields are expected to drop from 14 to 10 quintals per hectare.

Probably not all regions will participate in the emergency program. Some will plant sorghum and beans instead of corn. In the north, officials believe the chances of realizing a harvest from intermediate plantings are so slim that they will concentrate instead on preparing for the *postrera*.

In March 1975, Honduras and the United States entered into a P.L. 480 agreement under which Honduras received about 10,000 tons of rice to help overcome shortages resulting from Hurricane Fifi. Two shipments, totaling about 10,000 tons, arrived April 30 and May 11. The agreement was later amended to provide for delivery of 10,000 tons of wheat, which arrived prior to June 30.

On August 4, the Government requested P.L. 480 assistance in financing purchase of a minimum of 50,000 tons of U.S. corn.

The National Development Bank—the official grain stabilization agency and issuing agency for permits to import and export grain—on July 31 increased the guaranteed price of corn from $4.50 to $7 for Tegucigalpa and San Pedro Sula and from $5 to $7.50 for other locations in the country. The offering price for sorghum was increased to $5.

Thus Honduras, traditionally the Central American country with the lowest guaranteed price for corn, has become the highest. Wholesale and retail prices for corn also have increased. White corn, selling for 6 U.S. cents per pound 6 months ago, now is priced at 14 cents; sorghum is up from 6 to 15 cents; and red beans from 16 to 24 cents per pound in the same period.

The Government is discussing with large-scale agricultural producers the feasibility of planting corn immediately on irrigated land to realize a quick harvest.

Honduras's consumption of milled rice is about 22,500 tons annually, and Government reserves currently are unusually high at 9,000 tons because of recent P.L. 480 imports. Production in 1975/76 will be down at least 2,000 tons (milled basis), however, and perhaps even more. The National Development Bank is trying to stimulate production of rice on irrigated land, and the Government of Japan has offered $500,000 worth of grains, with emphasis on rice, to stimulate general production of food. —Based on report from *Office of U.S. Agricultural Attaché, Guatemala*

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